

Message Text

CONFIDENTIAL

PAGE 01 MONROV 05329 281102Z

45

ACTION AF-18

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00

SCEM-02 L-03 PA-03 PRS-01 USIA-15 DOTE-00 CIAE-00

INR-10 NSAE-00 XMB-07 DRC-01 AGR-20 SCI-06 INT-08

/168 W

----- 088977

R 280900Z SEP 73

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 9624

INFO AMEMBASSY LAGOS

C O N F I D E N T I A L MONROVIA 5329

E.O. 11652: GDS

TAGS: ENRG, BGEN, PFOR, LI

SUBJECT: SUNOCO REAPPRAISAL OF REFINERY OPERATIONS

REF: STATE 190862

1. JAMES REEVES, MANAGING DIRECTOR OF LIBERIA REFINING CO. (LOCAL SUBSIDIARY SUNOCO AND HYDROCARBON RESEARCH CORP., WITH MINOR LIBERIAN PARTICIPATION) CALLED ON ME SEPTEMBER 25 FOLLOWING HIS RETURN FROM U.S. TO DISCUSS VARIETY OF PROBLEMS HIS COMPANY FACES, INCLUDING SHORTAGE AND HIGH PRICES OF CRUDE, CLIMBING OCEAN FREIGHT RATES, AND GOL PRICING POLICIES. WITH REGARD TO CRUDE SUPPLY. HE ADVISED THAT PRESENT ESSO CONTRACT FOR MID-EAST CRUDE (AT ABOUT \$2.30 PER BARREL) WILL EXPIRE MID-FEBRUARY. HE NOTED THAT PRESENT MID-EAST PRICE OF ABOUT \$3.40 WOULD REQUIRE SUBSTANTIAL INCREASE GOL SET REDQSYAC PRICE, BUT THAT ESSO UNWILLING RENEW CONTRACT AT ANY PRICE. APPARENTLY ESSO UNCERTAIN AS TO ITS OWN SUPPLIES DUE RECENT MID-EAST DEVELOPMENTS. WITH ESSO OUT OF PICTURE, LRC ISSUED CALL FOR SUPPLY BIDS, BUT RECEIVED NONE. PH SUBSEQUENT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MONROV 05329 281102Z

DISCUSSIONS WITH TEXACO, THAT FIRM OFFERED SUPPLY SOUR (HIGH

SULFUR) CRUDE TO LRC BUT ONLY ON SWAP BASIS FOR SWEET (LOW SULFUR) CRUDE WHICH SUNOCO NEEDS FOR U.S. OPERATIONS.

2. GOL AND LRC MISSION RECENTLY VISITED NIGERIA AND OBTAINED PROMISE THAT GON WOULD SET ASIDE LIBERIAN CRUDE RAXIREMENOI BUT ONLY AT PRICE PREVAILING FOR NIGERIAN SWEET CRUDE (CURRENTLY SAID TO BE \$5.00 TO \$5.50 PER BARREL

) IT POSSIBLE THAT LRC, AS BUYER OF NIGERIAN CRUDE, MIGHT USE IT IN SWAP ARRANGEMENT AT RATE OF 8,000 BARRELS PER DAY OF NIGERIAN FOJ PERHAPS 11,000 BARRELS PER DAY OF SOUR CRUDE NEEDED FOR LRC OPERATIONS IN 1974 (THUS CUTTING COST PER BARREL TO ABOUT \$4.00). THIS PRE-SUPPOSES GON WILLINGNESS SELL TO LRC WITHOUT ASSURANCES THAT CRUDE WILL BE REFINED IN LIBERIA.

3. AS REPORTED REFTEL, REEVES CONFIRMED SUNOCO UNWILLING CONTINUE OPERATE LRC REFINERY AT LOSS. HILRC UNSUCCESSFULLY REQUESTED REFINERY PRICE INCREASE OF 2 CENTS PER GALLON FROM GOL EARLIER THIS YEAR. REEVES CLAIMED THAT AT THAT TIME LRC PROJECTED I OPERATING LOSS FOR 1973 AT \$750,000, WHICH GOL PROMISED WOULD BE RECOUPED WITH AUTHORIZED PRICE INCREASE IN 1974. SINCE THEN REEVES CLAIMS LRC COSTS HAVE INCREASED, LARGELY AS RESULT SHARP INCREASES OCEAN FREIGHT RATES, AND COMPANY NOW EXPECTS 1973 OPERATING LOSS OF \$2.2 MILLION. WITHOUT APPROVAL SUBSTANTIAL PRICE INCREASES BY GOL (LRC SAID TO SKEED 8 CENTS PER GALLON AVERAGE INCREASE) COMPANY WILL BE UNABLE RECOUP LOSS AND GET INTO BLACK IN 1974. HOWEVER, REEVES CLAIMS THAT APPROXIMATELY 60 PER CENT OF LRC SALES ARE TO MINING, RUBBER AND OTHER CONCESSIONS WHICH WOULD TURN TO OTHER SUPPLIERS IF PRICE INCREASE GOES ABOVE 2 CENTS (PRESUMING GOL WOULD PERMIT CONCESSIONS IMPORT FOR OWN ACCOUNT). THEREFORE, HE SAID, PRICE INCREASE TO OTHER USERS WOULD BE MUCH HIGHER; AS MUCH AS 17 CENTS. THIS WOULD UNDOUBTEDLY BE POLITICALLY AND ECONOMICALLY UNACCEPTABLE TO GOL.

4. REEVES SAYS HE HOPEFUL THAT GOL CAN BE MADE AWARE OF MAGNITUDE LRC PROBLEMS PRIOR NOVEMBER PRICING NEGOTIATIONS, AND HAS ASKED EMBASSY ASSISTANCE IN THIS EDUCATIONAL EFFORT. HE HOPEFUL SOLUTION CAN BE FOUND, PERHAPS BY CUSHIONING PRICE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MONROV 05329 281102Z

INCREASE THROUGH SIMULTANEOUS LOWERING OF EXCISE TAX ON PETROLEUM PRODUCTS, OR BY AUTHORIZING GREATER PRICE INCREASE TO REFINERY THAN TO SERVICE STATIONS. IN VIEW GOL EFFORTS INCREASE REVENUES, FIRST ALTERNATIVE MAY BE DIFFICULT. RECENT CAMPAIGN OF "LIBERIANIZATION" OF FILLING STATIONS MAY MAKE LATTER IMPOSSIBLE.

5. REEVES SAID SUNOCO PLANS DISCUSS LRC DILEMMA WITH PARTNER,

HYDROCARBON RESEARCH CORP., BEFORE TAKING ANY DRASTIC STEPS. ALSO SAID HE UNDERSTANDS HYDROCARBON RESEARCH HAS OPIC POLITICAL RISK GUARANTY ITS SHARE LRC AND LOOKING INTO POSSIBILITY OF CLAIMING THAT GOL PRICING POLICIES AMOUNT TO DE FACTO EXPROPRIATION. WHILE REEVES STRESSED THAT HE WILL AVOID SERVING ULTIMATUM ON GOL, HE CLAIMS TO FEAR IMPASSE IN PRICE NEGOTIATIONS WHICH MIGHT RESULT CANCELLATION LRC CONCESSION AND/OR SEIZURE ITS FACILITIES.

6. I DO NOT QUESTION FACT THAT FREIGHT RATE INCREASES AND THE TIGHT CRUDE SUPPLY AND PRICE SITUATION HAVE DRASTICALLY ALTERED PREVIOUSLY ACCEPTABLE LRC PROFIT PICTURE REPORTED MONROVIA A-80 OF MAY 17, 1973. HOWEVER, I CANNOT HELP BUT WONDER IF SITUATION IS AS BLEAK AS IT BEING DESCRIBED. IT POSSIBLE SUNOCO AND LRC DESIROUS USE OUR SUPPORT AS ADDED LEVERAGE IN BARGAINING WITH GOL. WHATEVER TRUE SITUATION MAY BE, I DO NOT THINK WE CAN TAKE ANY ACTION TO SUPPORT LRC UNTIL IT HAS PRESENTED FIRM PROPOSALS TO GOL. WE WILL, OF COURSE, KEEP IN TOUCH WITH LRC AND ADVISE DEPT IF SITUATION OR PROSPECTS CHANGE.
MANFULL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MONROV05329
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS MANFULL
Errors: N/A
Film Number: n/a
From: MONROVIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973094/aaaaaacho.tel
Line Count: 136
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 190862
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 09 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Jan-2002 by boyleja>; APPROVED <04 MAR 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUNOCO REAPPRAISAL OF REFINERY OPERATIONS
TAGS: ENRG, BGEN, PFOR, LI, SUNOCO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005